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E.O. 11652: N/A

TAGS: EAID, EFIN, PFOR, IBRD, GH

SUBJECT: GHANA DEBT: CREDITORS LONDON MEETING

SEPTEMBER 18-19

BEGIN SUMMARY. AS RESULT ELEVENTH HOUR RECEIPT
GHANA FORMULA FOR DEBT CONTRACT REVIEW, CREDITORS
MEETING ABLE TO WORK OUT SUBSTANCE NEGOTIATING
POSITION AND TACTICS AND TO OFFER TO MEET WITH
GHANAIANS COMMENCING NOVEMBER 5. IN TWO-DAY SESSION
CREDITORS DECIDED MAINTAIN NOVEMBER 1972 TERMS AS
OPENING BID IN PROPOSED NEGOTIATIONS. MAJORITY FAVORS
FINAL OFFER OF "PEARSON TERMS", NAMELY 7 YEARS
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GRACE, 18 YEARS REPAYMENT, 2 PERCENT CONSOLIDATED

INTEREST RATE. BRITISH TREASURY AND FRENCH IN MINORITY OPPOSED TO ACCRA VENUE FOR TALKS, WHICH VIEWED AS NECESSARY BY OTHERS TO GET NEGOTIATIONS MOVING. CREDITORS NOTED GOG FORMULA FOR DEBT CONTRACT REVIEW AND RECORDED OWN COUNTER VIEWS, BUT WERE UNWILLING ENDORSE UK SUGGESTION OF GHANA PAYMENTS ON REPUDIATED DEBTS TO ESCROW ACCOUNT AS PRECONDITION TO NEGOTIATIONS. DE MINIMIS LEVEL OF \$2 MILLION AND EXCLUSION POST-NKRUMAH DEBT MAINTAINED AS OPENING POSITIONS. CHAUFOURNIER OF IBRD TO EXPRESS CREDITORS' HOPES AND CONCERNS TO CHAIRMAN ACHEAMPONG IN ACCRA LATER THIS MONTH. DEBT NEGOTIATIONS NOW DEPEND ON FAVORABLE GOG RESPONSE TO CREDITOR COMMUNIQUE (SEPTEL) TO BE DELIVERED SHORTLY. US DELEGATION BELIEVES SUBSTANTIAL PROGRESS ACHIEVED BY THE GHANAIAAN PROPOSAL AND CREDITOR DISCUSSIONS. END SUMMARY.

1. AMBIANCE: CREDITOR MEETINGS CHARACTERIZED BY INTENSIVE DISCUSSION OF ALL ISSUES LIKELY ARISE IN PROSPECTIVE NEGOTIATIONS WITH GOG, AND EQUALLY THOROUGH EXAMINATION OF PROSPECTIVE NEGOTIATING STRATEGY. DIVISION WITHIN BRITISH CAMP EVIDENT IMMEDIATELY, WITH CHAIRMAN LEQUESNE EXPRESSING FCO VIEW THAT ACCOMMODATION TO SOME GHANAIAAN DESIRES EITHER PREREQUISITE FOR NEGOTIATIONS OR NECESSARY TO ACHIEVE SETTLEMENT, WHILE TREASURY REPRESENTATIVE HEADING UK DELEGATION PREFERRED GIVE NO GROUND BEYOND NOVEMBER CREDITORS' OFFER, SUGGESTING NOVEMBER TERMS TOO LIBERAL IN PRESENT GHANAIAAN SHORT-TERM ECONOMIC CIRCUMSTANCES. TREASURY ATTITUDE, WHICH RECEIVED SOME SUPPORT FROM ECGD SPOKESMAN, AS WELL AS FRENCH DELEGATE, NOT ENDORSED BY MAJORITY OF CREDITORS. GERMANS, DUTCH, BELGIANS, NORWEGIANS, IBRD, US, AND ITALIANS (WHO WERE MUCH MORE FORTHCOMING THAN IN PREVIOUS DEBT MEETINGS), AGREED WITH LEQUESNE. IBRD AND IMF, WHICH MADE USEFUL CONTRIBUTIONS TO MEETING, WERE EXCLUDED DURING DISCUSSION OF TERMS, WHICH CREDITORS AGREED TO CONSIDER CONFIDENTIAL.

2. ALL CREDITORS AGREED IT IS IN THEIR INTEREST TO LIMITED OFFICIAL USE

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PROCEED AS QUICKLY AS POSSIBLE TO NEGOTIATIONS WITH A MINIMUM OF FURTHER PRECONDITIONS. TO TRY TO AVOID FURTHER TIME CONSUMING WRITTEN EXCHANGES, IBRD ASKED TO REQUEST CLARIFICATION FROM GOG ON SEVERAL POINTS WORRYING CREDITORS AND TO INFORM GHANAIAANS OF CREDITORS CONCERNS REGARDING ADDITIONAL ISSUES DESCRIBED BELOW. COMMUNIQUE TO BE SENT GOG ACCORDINGLY LIMITED TO POINTS CREDITORS CONSIDERED ESSENTIAL HAVE ON RECORD.

3. OPENING TERMS: AFTER CRITICIZING IBRD'S PROJECTIONS OF GHANAIA COCOA EXPORT RECEIPTS AS TOO LOW FOR LONG TERMS, AND EMPHASIZING RECENT GROWTH IN FOREIGN EXCHANGE RESERVES, BRITISH TREASURY REPRESENTATIVE SAID RECENT AMELIORATION OF GHANAIA ECONOMIC SITUATION AND BETTER ECONOMIC PROSPECTS PROVIDE NO JUSTIFICATION FOR IMPROVING RESCHEDULING TERMS OFFERED IN NOVEMBER 1972. DUTCH WERE ONLY CREDITORS TO ADVOCATE BETTERING NOVEMBER TERMS AS A FIRST CREDITOR OFFER IN NEGOTIATIONS. WITH SUPPORT FROM DUTCH, GERMANS AND

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ITALIANS, US SUGGESTED LEQUESNE'S OPENING STATEMENT SHOULD INDICATE GENERAL CREDITOR FLEXIBILITY ON TERMS. IBRD VICE PRESIDENT CHAUFournIER ASKED TO TELL GOG DURING SCHEDULED EARLY OCTOBER VISIT TO ACCRA THAT CREDITORS WILL BE PREPARED TO EXAMINE ANY JUSTIFICATION OF MORE GENEROUS TERMS PRESENTED BY GOG IN NEGOTIATIONS.

4. FALLBACK TERMS: DUTCH, ITALIANS, US, NORWEGIANS AND BELGIANS STATED WILLINGNESS MOVE TO 7 YEAR GRACE PERIOD, SUBSEQUENT 18 YEAR REPAYMENT PERIOD, AND 2 PERCENT INTEREST RATE AS FINAL OFFER (7-18-2 PERCENT LIMITED OFFICIAL USE

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FORMULA), GERMAN HAD LITTLE DIFFICULTY WITH 7 AND TWO PERCENT BUT SAID BONN WOULD NEED MORE JUSTIFICATION FOR LONGER REPAYMENT PERIOD. JAPANESE UNDER INSTRUCTIONS STICK TO NOVEMBER TERMS. BRITISH AND FRENCH SAID THEY WOULD CONSIDER 7-18-2 PERCENT FORMULA AS FALLBACK POSITION.

5. VENUE: FRANCE OBJECTED STRONGLY TO ACCRA, PRINCIPALLY ON GROUNDS OF ADVERSE PRECEDENT OF MEETING IN DEBTOR CAPITAL. UK TOOK SOME POSITION, SUGGESTING THAT URGING THE GHANAIS TO COME TO LONDON MIGHT LEAD THEM TO ACCEPT PARIS AS COMPROMISE. LEQUESNE, WITH SUPPORT FROM US, STRESSED THAT GHANAIS DELEGATION WILL NEED TO CONSULT FREQUENTLY WITH ACHEAMPONG DURING NEGOTIATIONS, MAKING ACCRA ONLY PRACTICAL LOCALE. AFTER REMINDING CREDITORS IT WOULD BE REPETITION OF EARLIER FRUITLESS EXERCISE, AND GIVING FULL SUPPORT TO LEQUESNE'S PRACTICALITY THEME, CHAUFournIER AGREED, IF BRITISH TREASURY REPRESENTATIVE AND FRENCH DELEGATE UNABLE PERSUADE THEIR SUPERIORS TO ACCEPT ACCRA AS VENUE, TO INFORM GOG SOME CREDITORS STILL PREFER TO MEET OUTSIDE ACCRA. UK AND FRENCH REPRESENTATIVES DID STATE THEIR GOVERNMENTS WILL NOT BREACH CREDITOR SOLIDARITY OVER THIS ISSUE IF GOG REFUSES.

6. CONTRACT REVIEW: ALTHOUGH PLEASED THAT NRC BELATEDLY APPROVED A CONTRACT REVIEW FORMULA, SEVERAL DELEGATES, INCLUDING BRITISH AND GERMAN, FELT CREDITORS MUST STATE REJECTION OF PRACTICE OF REPUDIATION. ECGD DISSATISFIED WITH SUBSTANCE OF PROPOSAL, AS WAS BANK OF ENGLAND, UK TREASURY AND GERMANS. OTHER DELEGATES REBUFFED THEIR EFFORTS INCORPORATE IN CREDITORS' COMMUNIQUE PROPOSAL THAT GOG BE OBLIGED PAY INTO BLOCKED ACCOUNT INTEREST ON REPUDIATED DEBTS PENDING RESOLUTION THEIR STATUS, EVEN THOUGH THIS MIGHT WELL

BECOME PART OF OPENING STATEMENT IN NEGOTIATIONS. MUCH MORE MODERATE LANGUAGE EVENTUALLY ADOPTED. CHAUFOURNIER AGREED TO REMIND GOG THAT CREDITORS EXPECT CONTRACT REVIEW TO BE COMPLETED WITHIN REASONABLE TIME. ECGD OPPOSED SETTING DATE ON GROUNDS DEADLINE MIGHT PROMPT GOG TO REPUDIATE ARBITRARILY ENTIRE 20 PERCENT OF THE LIMITED OFFICIAL USE

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DEBT.

7. SEVERAL CREDITORS, INCLUDING US, ITALIANS AND GERMANS, STATED THEIR EXPORT CREDIT ORGANIZATIONS UNABLE PROVIDE DOCUMENTS REQUESTED IN GOG NOTE OF SEPTEMBER 7. IBRD AGREED TO INFORM GOG OF THIS DIFFICULTY AND TO ASK GOG AT SAME TIME TO DEFINE MORE PRECISELY DATA IT DESIRES, MUCH OF WHICH ALREADY HAVE BEEN PROVIDED TO IT BY BANK. CREDITORS AGREED INSTRUCT THEIR EMBASSIES TO NOTIFY GOG THAT THEIR GOVERNMENTS UNABLE TO RESPOND TO NOTE NOW, WITHOUT SUGGESTING THERE EVER WILL BE RESPONSE. NO OBJECTION RAISED TO BRITISH PROPOSAL UNILATERALLY TO ASK GOG FOR AN OUTLINE OF REASONS IT REPUDIATED BRITISH CONTRACTS FEBRUARY 5. WHILE WISHING BRITISH LUCK, GERMANS ADVISED CREDITORS THEY HAVE RECEIVED NO RESPONSE TO SIMILAR REQUEST CONCERNING FOUR REPUDIATED GERMAN DEBTS (DESCRIBED SEPTTEL).

8. DE MINIMIS: BELGIAN AND US REPRESENTATIVES DEFENDED \$2 MILLION DE MINIMIS LEVEL IN FACE LEQUESNE'S RHETORICAL QUESTION ASKING IF LOWER LEVEL MIGHT BE POSSIBLE. GERMANS, ONLY OTHER CREDITOR TO COMMENT, SAID THEY WOULD HAVE NO PROBLEM WITH LOWER LEVEL. SWISS ANNOUNCED THEY HAVE \$200,000 IN MEDIUM TERM DEBTS FROM NKRUMAH ERA THEY HOPE SEE EXEMPT FROM RESCHEDULING ON DE MINIMIS GROUNDS. IN VIEW UNCERTAINTY REGARDING EXACT DEBT FIGURES, FURTHER DISCUSSION DE MINIMIS DEFERRED WHILE HMG COLLATES FIGURES UK HAS REQUESTED FROM CREDITORS. NO FURTHER DISCUSSION DE MINIMIS THEREFORE EXPECTED PRIOR DEBT NEGOTIATIONS.

9. POST NKRUMAH DEBTS: US OPENED DISCUSSION WITH

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STATEMENT OF STRONG OPPOSITION TO INCLUSION, WHICH RECEIVED SOME SUPPORT FROM ITALIANS AND GERMANS. UK DELEGATE REMARKED DEBT WILL BE FALLING DUE WITHIN NEXT TWO/THREE YEARS, AND LEQUESNE OPINED THIS IS ISSUE ON WHICH THERE COULD BE SCOPE FOR NEGOTIATION. US CONCLUDED DISCUSSION WITH STATEMENT ANY CHANGE IN CREDITORS POSITION WOULD CONSTITUTE A VERY GREAT PROBLEM FOR US.

10. GRACE PERIOD STARTING DATE: IT WAS AGREED CREDITORS WILL ENTER NEGOTIATIONS MAINTAINING INSISTENCE
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THAT RESCHEDULING BE INITIATED JULY 1, 1972. CREDITORS MIGHT MODIFY THIS POSITION DURING NEGOTIATIONS. IBRD

CALCULATES DIFFERENCE IN AMOUNT GOG WOULD BE REQUIRED PAY IN ORDER COVER ARREARS TO JUNE 30, 1972, INSTEAD OF FEBRUARY 5, 1972, TO BE APPROXIMATELY \$6.5 MILLION, AND CREDITORS AGREED ISSUE OBVIOUSLY MORE POLITICAL THAN ECONOMIC.

11. PAYMENT OF MEDIUM TERM ARREARS: CREDITORS DISCUSSED PROBLEMS ARISING FROM FACT SEVERAL CREDITORS HAVE NOT SIGNED AND/OR RATIFIED BILATERAL AGREEMENTS IMPLEMENTING 1968 AND/OR 1970 AGREED MINUTES AND THEREFORE HAVE NOT BEEN RECEIVING PAYMENTS ON SOME OR ALL OF DEBTS COVERED IN THOSE AGREED MINUTES. CREDITORS AGREED THAT GOG SHOULD BE TOLD DURING NEGOTIATIONS THAT BILATERALS SHOULD BE CONCLUDED TO IMPLEMENT PREVIOUS MINUTES AND THAT THERE SHOULD BE LUMP SUM PAYMENTS OF ARREARS UP TO GRACE PERIOD STARTING DATE. HOWEVER, CREDITORS DIRECTLY CONCERNED WILLING OFFER RECEIVE PAYMENT ON STRETCHOUT BASIS, AND POSSIBLY AT LOWER INTEREST RATE, DURING GRACE PERIOD, AND IT WAS DECIDED THIS COULD BE ELEMENT IN CREDITORS' FALLBACK POSITION.

12. SHORT TERM DEBT: LEQUESNE OPINED THAT IF GOG RECEIVES SEVEN YEAR GRACE PERIOD, CREDITORS COULD EXPECT SHORT TERM DEBT TO BE REPAID DURING SHORTER PERIOD. DUTCH SUGGESTED A NEED FOR GOG COMMITMENT TO REPAY SHORT TERM DEBT DURING GRACE PERIOD, BUT CREDITORS DID NOT ENDORSE DUTCH SUGGESTION. BRITISH AGREED WITH US THAT ENTIRE SHORT TERM DEBT NEED NOT BE LIQUIDATED, AND BOTH AGREED \$100-150 MILLION MIGHT BE REASONABLE LEVEL FOR GHANA TO MAINTAIN.

13. PARTICIPATION: BRITISH SAID THAT DESPITE ASSURANCES FROM ACHEAMPONG EVERYTHING BUT 55 PERCENT WOULD BE NEGOTIABLE, BRITISH FIRMS HAVE HAD NO SUCCESS NEGOTIATING BASIS FOR EVALUATION, SCHEDULES FOR COMPENSATION, OR ASSURANCES REGARDING REPATRIATION OF FUNDS RECEIVED FOR COMPENSATION. BRITISH MENTIONED NOTE SENT GOG ON THIS SUBJECT AND ASKED CHAUFOURNIER TO LIMITED OFFICIAL USE

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REQUEST ACHEAMPONG TO INSTRUCT GOG NEGOTIATORS TO DEMONSTRATE MORE FLEXIBILITY.

14. DANISH OBSERVER SAID LITTLE PROGRESS HAS BEEN MADE ON KEY ISSUES IN PARTICIPATION TALKS, WITH GOG REFUSING CONSIDER GOODWILL AND FUTURE TRADE AS COMPENSATABLE ASSETS, AND GOG UNWILLINGNESS GIVE ASSURANCES ON REPATRIATION. WHILE EXPRESSING HOPE CHAUFOURNIER WILL RAISE PARTICIPATION ISSUE IN ACCRA, DANE SAID THAT APART

FROM REMINDING GOG THAT DENMARK EXPECTS FULL AND FAIR
COMPENSATION FOR ITS FIRM, DANISH GOVERNMENT DOES NOT
EXPECT APPLY FURTHER PRESSURE.

15. US SAID NEGOTIATIONS WITH US FIRM ALSO NOT GOING
WELL BUT THAT USG HAS LIMITED ROLE TO REMINDING GOG IT
WOULD EXPECT PROMPT, ADEQUATE, AND EFFECTIVE
COMPENSATION FOR AMERICAN FIRMS. US DELEGATE ALSO
WELCOMED PROSPECTIVE CHAUFURNIER TALK WITH ACHEAMPONG.

16. CHAUFURNIER SAID HE WILL RELAY CREDITORS'
CONCERNS TO ACHEAMPONG, WHILE TELLING ACHEAMPONG THAT
AMOUNTS INVOLVED DO NOT JUSTIFY HARM THAT PARTICIPATION
IMPASSE WOULD DO TO GOG'S INVESTMENT AND AID PROSPECTS.
WHEN LEQUESNE ASKED ECGD REPRESENTATIVE IF HMG WISHED
NOTIFY IBRD THAT UK BELIEVES STALEMATEIN NEGOTIATIONS
BETWEEN BRITISH FIRMS AND GOG CONSTITUTES SITUATION
WHICH SHOULD INFLUENCE IBRD LENDING TO GHANA, ECGD
REPRESENTATIVE REPLIED HE WOULD HAVE TO CHECK WITH
COMPANIES, SOME OF WHICH HAVE NOT ABANDONED HOPE OF A
NEGOTIATED SETTLEMENT. (BRITISH EXPRESSED AT THIS TIME
DESIRE LEARN MORE ABOUT HELP THEY MIGHT OBTAIN FROM
ICSID.) LEQUESNE ASKED CHAUFURNIER TO

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INFORM ACHEAMPONG THAT IF THERE ARE TO BE EFFECTIVE
DEBT NEGOTIATIONS WITH THE CREDITORS THEY MUST BE
CONDUCTED IN A FASHION DIFFERENT FROM THAT WHICH HAS
PREVAILED IN PARTICIPATION TALKS.

17. DUTCH CASH CREDITS: DUTCH ADVISED OTHER CREDITORS
OF PROBLEMS THEY HAVE EXPERIENCED SEEKING REPAYMENT
OF DEBTS FROM NKRUMAH ERA WHICH HAVE NOT BEEN
RESCHEDULED AT TOTAL FIVE MILLION GUILDERS. DUTCH PLAN
RAISE AGAIN WITH GOG AND REQUESTED NO ACTION BY CREDITOR
GROUP.

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18. FORMAT FOR TALKS: CREDITORS ACCEPTED LEQUESNE'S
PROPOSAL THAT HE SERVE AS CREDITORS' CHAIRMAN AND
PRINCIPAL SPOKESMAN DURING NEGOTIATIONS, WITH THE
UNDERSTANDING OTHER CREDITOR REPRESENTATIVES MAY SPEAK
FOR CREDITORS ON PARTICULAR TOPICS AND THAT ALL CREDITOR
REPRESENTATIVES WILL BE FREE TO SPEAK, PROVIDED THEY
CONFORM TO AGREED CREDITOR POSITIONS AND "DO NOT KICK
THE BALL THROUGH OUR OWN GOALPOSTS." AT LEQUESNE'S
REQUEST, CHAUFournIER WILL TELL ACHEAMPONG THAT
CREDITORS EXPECT NEGOTIATIONS TO BE CONDUCTED WITH
APPROPRIATE RESPECT FOR THEIR REPRESENTATIVES'
TIME. (FYI ASSUMING TALKS ARE HELD IN ACCRA, SEVERAL
CREDITOR REPRESENTATIVES UNWILLING REMAIN MORE THAN
TWO WEEKS END FYI.)

19. NEXT STEPS: BELGIAN, SWISS AND JAPANESE
DELEGATIONS, WHO WERE WITHOUT AUTHORITY APPROVE
CREDITORS' COMMUNIQUE, TO REQUEST THEIR GOVERNMENTS TO
NOTIFY HMG OF THEIR ENDORSEMENT ON COMMUNIQUE BY END OF
WEEK. FOLLOWING THEIR ENDORSEMENT, IBRD WILL DELIVER
COMMUNIQUE IN ACCRA. ASSUMING GOG MAKES ACCEPTABLE
REPLY, EITHER IN WRITING OR THROUGH CHAUFournIER,

CREDITOR REPRESENTATIVES WILL ARRIVE IN ACCRA BY NOVEMBER 3 FOR PREPARATORY TALKS AND FINALIZATION OF NEGOTIATING TACTICS AND POSITION BEFORE MEETING WITH GHANAISANS NOVEMBER 5, AS SUGGESTED IN COMMUNIQUE. (FYI- SHOULD DATE SLIP BEYOND NOVEMBER 5, LEQUESNE'S OTHER COMMITMENTS WOULD NECESSITATE POSTPONEMENT UNTIL NOVEMBER 26 END FYI.) LEQUESNE WILL CIRCULATE PRIOR TO PREPARATORY MEETING THE OPENING STATEMENT HE WILL DRAFT FOR NEGOTIATIONS.

20. IBRD LENDING: AT LEQUESNE'S REQUEST, CHAUFournier OUTLINED BANK POLICY ON LENDING TO GHANA, STATING THAT IF GOG IS READY TO NEGOTIATE ON THE BASIS OF THE CREDITORS' COMMUNIQUE, HE PROPOSES PRESENT GHANA ROAD LOAN TO IBRD BOARD FOR APPROVAL. SUBSEQUENT BANK LENDING WILL BE CONTINGENT ON SATISFACTORY PROGRESS TOWARD A DEBT SETTLEMENT, WITH THE RESUMPTION OF FULL LENDING (WHICH WILL REQUIRE CREDITOR/DONOR CO-FINANCING LIMITED OFFICIAL USE

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IN SOME INSTANCES) DEPENDENT ON A DEBT SETTLEMENT. CHAUFournier EXPLAINED THAT HAVING ENCOURAGED THE GHANAISANS TO PREPARE A DOSSIER OF PROJECT STUDIES, THE BANK FEELS SOME OBLIGATION TO PROCEED WITH THESE PROJECTS WHEN THEY ARE READY FOR IMPLEMENTATION, AGAIN WITH THE UNDERSTANDING THAT FULL LENDING MUST BE LINKED TO A DEBT SETTLEMENT.

21. UK SPOKESMAN, WHILE NOTING HMG PREFERS THAT ALL DONORS NOT RENEW CAPITAL ASSISTANCE UNTIL THERE IS A DEBT SETTLEMENT, STATED HMG REALIZES IT CANNOT DICTATE POLICY TO INTERNATIONAL ORGANIZATIONS. WITH RESPECT TO ROAD LOAN, HE SAID THAT IF GOG RESPONDS SATISFACTORILY TO CREDITORS' COMMUNIQUE, HMG WILL BE PREPARED TO SEE ROAD LOAN COME BEFORE BANK BOARD. (FYI- IBRD STAFF TOLD US DELEGATION ROAD LOAN WON'T BE PUT ON IBRD BOARD AGENDA UNTIL AFTER SATISFACTORY GOG REPLY END FYI.)

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